DOCUMENT RESUME

ED 228 485 CE 035 679

AUTHOR Ashmore, M. Catherine; Pritz, Sandra G.
TITLE Locating the Business. PACE Revised. Level 1. Unit 7. Research & Development Series No. 240AB7.
INSTITUTION Ohio State Univ., Columbus. National Center for Research in Vocational Education.
SPONS AGENCY Office of Vocational and Adult Education (ED), Washington, DC.
PUB DATE 83
CONTRACT 300-78-0032
NOTE 13p.; For related documents, see CE 035 672-729.
AVAILABLE FROM National Center Publications, Box F, The Ohio State University, 1960 Kenny Road, Columbus, OH 43210 (Complete set--$120.00; individual levels--$45.00 each; instructors' guides--$14.50 each; resource guide--$7.95; module sets--$35.00 each level; individual modules--$2.50 each).
PUB TYPE Guides - Classroom Use - Materials (For Learner) (051)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Behavioral Objectives; *Business Administration; *Business Education; Career Choice; Contracts; Definitions; *Entrepreneurship; Learning Activities; Planning; Secondary Education; *Site Selection; *Small Businesses; Units of Study
IDENTIFIERS Leasing; *Program for Acquiring Competence Entrepreneurship

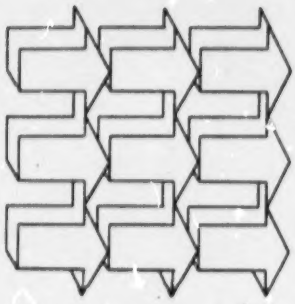
ABSTRACT

This lesson on locating a business, the seventh in a series of 18 units, is part of the first level of a comprehensive entrepreneurship curriculum entitled: A Program for Acquiring Competence in Entrepreneurship (PACE). (Designed for use with secondary students, the first level of PACE introduces students to the concepts involved in entrepreneurship and helps them become aware of entrepreneurship as a career option.) The following topics are covered in the unit: the importance of selecting the right business site; factors to be considered when selecting a business location; the advantages and disadvantages of different types of business locations (including isolated, central business district, neighborhood, and shopping center sites); and terms of occupancy contracts for a business. Included in the lesson are instructional text organized in a question-and-answer format, individual and group learning activities, a case study, and assessment questions. (MN)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED228485

PACE
REVISED
Program for Acquiring Competence in Entrepreneurship



UNIT 7

- [x] Level 1
- [ ] Level 2
- [ ] Level 3

Locating the Business

Developed by M. Catherine Ashmore and Sandra G. Pritz

You will be able to:

- **Explain the importance of selecting the right business site.**
- **Identify factors to be considered when selecting a business site.**
- **Determine advantages and disadvantages of different types of business locations (isolated, central business district, neighborhood, shopping center, etc.).**
- **Describe terms of occupancy contracts for a business.**

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

CE035679

THE NATIONAL CENTER FOR RESEARCH IN VOCATIONAL EDUCATION
THE OHIO STATE UNIVERSITY
1960 KENNY ROAD · COLUMBUS, OHIO 43210

Research & Development Series No. 240 AB 7

BEFORE YOU BEGIN. . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide.*

   competitors
   raw materials
   zoning laws

LOCATING THE BUSINESS

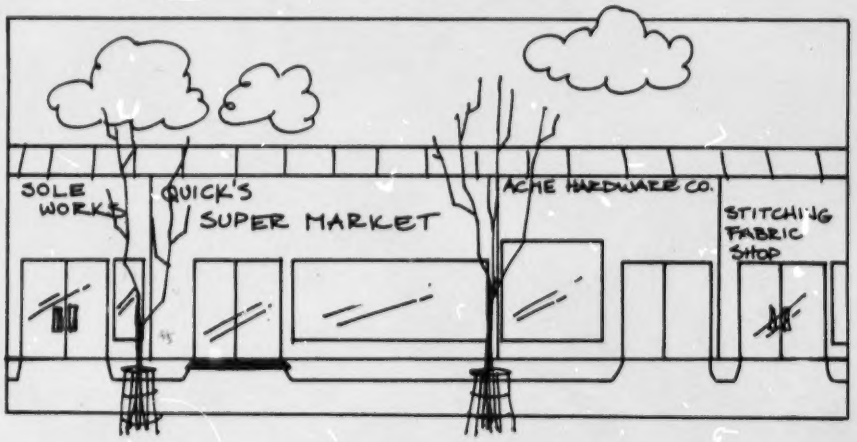
WHAT IS THIS UNIT ABOUT?

Deciding where to locate a business is very important. The business location can "make or break" the firm. The small business owner must select the "right" site for the business.

This unit of PACE will introduce items to think over when choosing a business site. This unit introduces basic ideas about the selection of a business location. Topics included in this unit are the importance of the location, general factors of site selection, specific things to consider about the site, and special help you can get for selecting a site.

HOW IMPORTANT IS THE RIGHT BUSINESS LOCATION?

Selecting the location for a small business is one of the major factors in success. How many sales the business will make often depends on its location.



Location is more important for some types of businesses than for others. The right location is very important to retail stores and service businesses, which must get customers to come to the business. Clothing stores, dry cleaning establishments, and gasoline stations all depend on a great deal of customer traffic to survive. These types of businesses must locate near their customers to earn high profits.

For other types of retail and service businesses and most wholesale businesses, location is not as important in attracting customers. Retail stores that sell high-cost items such as furniture and appliances draw customers to them; services such as accounting and tax firms and wholesale businesses can be located "off the beaten path" and still have high sales. The customers of these businesses will spend time searching for the product or service offered by such a firm.

Manufacturing, construction, and some services are not interested in attracting customers on the basis of the firm's location. These types of firms find customers through either personal selling or advertising. The actual site of these businesses may be selected on the basis of costs, environmental impact, or supply of raw materials.

Locating a business is a very important decision. The wrong decision can cause a business to fail almost before it gets started. Often the location is chosen because a building or piece of land is vacant or because the site is located close to the home of the owner. These are poor reasons for picking a business location.

Economics, population, and competition are important factors to consider. These factors will help in selecting a promising city or town.

WHAT GENERAL FACTORS SHOULD BE CONSIDERED WHEN SELECTING A BUSINESS LOCATION?

Economics. A major concern in locating an area for a small business is the economic base of the area. Why do people live in the area and what is their standard of living? Why do other businesses locate in the area?

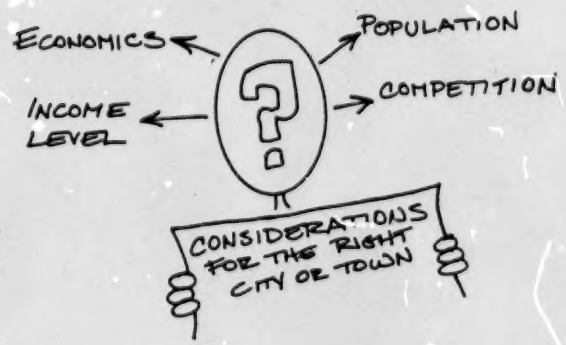
A study should be made of the industries in the area. The study should answer the following questions:

- Do 80 percent of the people work in one industry or business? Or does the community have a variety of jobs?
- Is industry in the area healthy?
- Is it seasonal?
- Are businesses moving in or locating elsewhere

You will need to study the effect these factors will have on your business.

Because how much people in an area earn determines the demand for goods and services, small business owners should gather information about income in the area they selected. Specific questions to ask include these:

- What is the average income?
- What are the income levels (low, medium, high) in the area?
- What are the employment/unemployment trends?



Other economic factors are important when locating a business. Good highways and railroad facilities are good for business.

Popuiation. Owners of a small business should identify the groups of people from which they believe most of their customers will come. For example, if you are interested in opening a record store, it would be important to know where the greatest population of teenagers and young adults is located. They buy the most records.

Other population factors include: How stable is the area? Do people move in and out regularly? Is the population growing or declining? If the area is rapidly growing, there will probably be a large number of young families. All these factors need to be considered in locating your business.

Competition. Almost all businesses face some competition. As a future owner of a small business, you should study your competitors. Gather information on their strengths and weaknesses. You should know how many competitors exist and where they are located.

You should also find out how many businesses similar to yours have opened or closed in the past two years. Indirect competition that provides similar kinds of goods and services should also be studied.

Three conditions are favorable for opening a new firm. First, no competitors are located in the area. Second, the competitors in the area are poorly managed. Third, customer demand for your product is growing. A study of your competition will let you know if any of these conditions are present.

WHAT SPECIFIC FACTORS SHOULD BE CONSIDERED WHEN SELECTING A BUSINESS SITE?

The type of business you plan to run affects the importance of specific location factors. Some basic site factors should be reviewed for every type of business. They include lease-purchase terms, competition, parking, and costs of operating at the site. In addition to these basic concerns, some specific questions also need to be answered that depend on whether you open a retail establishment, a manufacturing firm, a wholesale business, or a service business.

Retail Firms. Parking facilities and access to major roads have become a major problem for many retailers. Those retailers whose stores are located in shopping centers have less of a parking problem.

Retailers need to consider the types of businesses that surround a site. Studies have shown that clothing stores should not be located next to service stations.

The number of persons passing a business location on foot is also important to a retailer. For example, the retailer should ask, "Are pedestrians who pass this site on their way to public transportation or to the local theater?" Those going to the theater are not likely to stop to make purchases.

No site is simply a good or bad retail location. Factors such as type of merchandise sold and the firm's policies for phone orders also come into play. When you study a site, consider the type of retail business you plan to operate.

Wholesale Firms. Two major factors should be considered in selecting a wholesale site. One is good transportation service, including air, rail, and truck. Another is proper facilities, which include the building, its fixtures, and public utilities. Without these advantages, a wholesaler cannot maintain inventories large enough to handle customer needs.

Most cities have zoning laws that restrict the location of wholesale firms. These laws need to be studied. Wholesale firms should also be located as close as possible to their customers.

Service Firms. Being close to a large shopping center is usually considered ideal for service businesses. Normally, it is not necessary for a TV repair shop, a cleaners, a dentist, a shoe repair shop, and a child-care facility to locate in high-rent locations. Customers are willing to seek out and go farther to obtain a good service, so these establishments can be somewhat "out of the way." But even among service firms there are important differences as to which site is better. For example, a dry cleaner locating near a grocery store and drugstore is usually a good choice. The same location may not be good for a dentist, who does not require the traffic and the convenient drop-off point that makes a dry cleaner successful.

Manufacturing Firms. Sites that are good for manufacturing firms differ from sites that are good for retailers, wholesalers, and service firms. If you are considering opening a manufacturing firm, check into the transportation facilities and distance from raw materials. Nearness to customers, proper facilities, and zoning laws are other important factors. The industrial park concept has become very important within the last ten years, since most cities have restricted areas for factory locations.

WHAT ABOUT THE FUTURE?

As you study the general and specific factors of business location, it is best to keep in mind the future of the location. Your business will be operating in the future, not in the present or the past. Change occurs rapidly in today's world. A few short years ago, home video games were very basic. A tennis game was sold that used a small square 'blip' for a ball and two vertical lines for the players—not very exciting when compared with today's home video games.

Most of the information on economics, population, and competition deals with past or present conditions. This is valuable information and should be used. But this historical information should not be used alone when selecting a business location. Search for information about future plans for the area. Study the historical information to discover trends. After you know some of the trends and plans for the area, you can make your own forecasts.

How will these forecasts affect your business? A site that is good for business today may be a better or worse site three years from now. What is the future of your business? If you do well and wish to expand, your present site may not have room for expansion. An important factor in locating a business is future potential of the site.

WHAT TYPES OF BUSINESS LOCATIONS ARE THERE?

As you check the general and specific factors of business location, patterns of site selections become clear. Some areas are good for business in general, while other areas are not good for a business location. Naturally, businesses will tend to cluster in the good areas.

Firms tend to cluster in one of the following locations:

- Central Shopping Districts
- Neighborhood Shopping Areas
- Shopping Centers
- Industrial Parks

The type of business—manufacturing, retail, service, or wholesale—and the type of product you sell will help determine in which of these areas you will be successful.

Central Shopping Districts. These areas are generally located in the center of town along the main street and possibly a few blocks on either side. A large number of stores locate in such areas and therefore attract customers. Traffic—cars and people—is heavy. Problems with this kind of area usually include poor parking and high rents.

Neighborhood Shopping Areas. Small groups of stores locate in areas of the city or town where many people live. These stores offer personal service to their customers, many of whom are friends and neighbors of the small business owner. Many different types of stores will locate together. Rent is moderate compared to the central shopping district. The sales in these areas are limited, which means only small stores are possible.

Shopping Centers. These are planned business districts. The mix of stores in the shopping center is planned, and small business owners often work together in advertising and special promotions. The three basic types of shopping centers are neighborhood, community, and regional centers.

Neighborhood centers, sometimes called strip centers, are designed to serve people within a five-to-ten-minute drive. A supermarket often is the largest store in the center. Community centers attract customers willing to drive twenty minutes or so. A small department or general merchandise store will serve as the major traffic builder. A regional center is usually an indoor mall. and has two or more major department stores. Customers will drive from areas forty minutes away or more.

Shopping centers are generally located near main streets and highways. They have ample parking and can attract many customers. Shopping centers usually require the businesses in them to maintain similar hours. High rents can be a problem. Where your business is located in the shopping center itself is important.

Industrial Parks. Industrial parks are to the manufacturer and wholesaler what shopping centers are to retailers. They are planned clusters. Easy access to transportation and utilities is an important reason for locating in these areas.

Your business location must be selected as a result of careful study, not on a hunch. Selecting the correct site is a complex task. You must review many factors. These factors relate to the type of business to be established, customers to be served, and types of goods and services to be sold. Conducting a study is very important. This study does not need to be fancy, but it must be done carefully.

WHAT HELP IS AVAILABLE FOR SELECTING A BUSINESS LOCATION?

A great deal of free or inexpensive data are available. One source of information is the annual *Statistical Abstract of the United States.* This document includes national data on such items as population and income.

Any city or county with a population of over 25,000 is included in the *County and City Data Book.* This book contains such information as the number of businesses, number of families, average personal income, and number of multifamily or single-family housing units in an area.

The Survey of Current Business includes monthly sales volume figures for various products and services, as well as unemployment data and articles on timely subjects, such as changes in customer buying habits.

Information can also be obtained from other government agencies. The Department of Labor's Bureau of Labor Statistics has information on unemployment and wages. The Office of Minority Business Enterprises (OMBE) of the Department of Commerce gives information and services to minority entrepreneurs.

Locally, chambers of commerce normally have a great amount of information about the area they represent. The local bank where you might want to obtain a loan should have information on the average income of the area. It may also have economic projections.

Study the trends and gather all the data you can. Review the information you gather so you can make a good decision and select the best site.

ACTIVITIES

Do you feel you have gained some knowledge of the importance of selecting the right location for a business? Do you understand the major factors to consider when choosing a business location? The following activities are designed to develop your knowledge about locating a small business.

INDIVIDUAL ACTIVITY

Interview five different owners of small businesses. Ask them (1) how important their business location is to the success of their business, and (2) how they selected their present site. Compile a list of their answers and prepare a short report.

GROUP ACTIVITY

Form a small group of three to five persons. Have each person select one type of business location—central shopping district, neighborhood shopping area, shopping center, or industrial park—and interview small business owners concerning the advantages and disadvantages of their type of location. Each person should report back to the group. The group should draw up a master list of advantages and disadvantages for each type of location.

CASE STUDY

Sue Livingston became interested in data processing when her high school got a minicomputer for use in her business courses. She has learned two computer languages and is very familiar with how computers can be used in small businesses.

Sue's older sister has just graduated from the local technical college with a degree in electronics. Both women are interested in starting a business selling and servicing small computers for home and business use. They know proper location of the business is very important, but they don't know what to consider when selecting a business site.

They have asked you to outline the basic considerations in locating a business of their type. Also, if you could tell them where to get additional information, they would be grateful.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency in these areas.

1. Explain the importance of selecting the right business site.
2. List at least three general and three specific factors to consider when selecting a business location.
3. What factors determine how appropriate the five types of business locations are for a specific business?

SOURCES USED TO DEVELOP THIS UNIT

Burstiner, I. *The Small Business Handbook.* Englewood Cliffs, NJ: Prentice-Hall, 1979.

Day, W. *Maximizing the Small Business Profits.* Englewood Cliffs, NJ: Prentice-Hall, 1978.

Ely, V., and Barnes, M. *Starting Your Own Marketing Business.* 2nd ed. New York: McGraw-Hill Book Company, 1978.

Pickle, H., and Abrahamson, R. *Small Business Management.* New York: John Wiley & Sons, 1976.

Siropolis, N. *Small Business Management.* 2nd. ed. Boston: Houghton Mifflin, 1982.

Sullivan, D. *Small Business Management.* Dubuque, IA: William C. Brown Company, 1977.

U.S. Small Business Administration. *Presenter's Guide Series: Location and Layout for Small Business.* Washington, DC: U.S. Government Printing Office, 1979.

For further information, consult the lists of additional sources in the *Resource Guide*.

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

OSU

The Ohio State University